

for

Annual Report

GRANDROY MINES LIMITED



FOR THE YEAR ENDED DECEMBER 31, 1965

GRANDROY MINES LIMITED

AUTHORIZED CAPITALIZATION

5,000,000 shares of no par value not to exceed \$5,000,000.00 in the aggregate.

DIRECTORS

PHILIP E. BOYLEN	-	-	-	-	-	-	Toronto 18, Ontario
D. W. GORDON, F.C.I.S.	-	-	-	-	-	-	Toronto 5, Ontario
WILLIAM C. DURHAM	-	-	-	-	-	-	Toronto 17, Ontario
CHARLES B. BRANNIGAN	-	-	-	-	-	-	Toronto 16, Ontario
GORDON L. MOORE	-	-	-	-	-	-	Islington, Ontario

OFFICERS

PHILIP E. BOYLEN	-	-	-	-	-	-	-	President
D. W. GORDON, F.C.I.S.	-	-	-	-	-	-	-	Vice-President
GORDON L. MOORE	-	-	-	-	-	-	-	Secretary-Treasurer
CHARLES B. BRANNIGAN	-	-	-	-	-	-	-	Assistant-Secretary

HEAD OFFICE

908 - 330 Bay Street - - - - - Toronto, Ontario

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA
366 Bay Street - - - - - Toronto 1, Ontario

AUDITORS

LOFTUS A. ALLEN AND COMPANY
Chartered Accountants - - - - - Toronto, Ontario

GRANDROY MINES LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The Financial Statements of the Company for the fiscal year ended December 31st, 1965, and notes relative thereto and the Report of the Auditors are submitted for your consideration. A copy of the Balance Sheet and related financial statements for the same period and the Report of the Auditors for Jacquet River Mines Limited, a wholly-owned subsidiary of the Company, is included as a part to the Annual Report.

Active programs of exploration work were undertaken and carried out by the Company during 1965 and your Directors intend to continue their efforts in an endeavour to locate a mining property for the Company of potential economic value.

The following is a brief resume of work carried out during 1965, and as proposed at this time for the 1966 field season:

PROVINCE OF NEWFOUNDLAND:

HAWKS BAY MINING CONCESSION — An area covered by this Mineral Concession Agreement was optioned to the New Jersey Zinc Exploration Company (Canada) Limited on May 11th, 1964, and the option was continued until the latter part of 1965 when it was terminated by the Optionee Company. The Optionee Company fulfilled the exploration expenditure commitment on the concession area, and it is in good standing until September, 1966. On the basis of the New Jersey Zinc Exploration Company (Canada) Limited report of field work received, it would appear that an area of lead-zinc mineralization in dolomite limestone warrants continuing investigation. Your Company proposes to carry out the necessary follow-up work on such occurrences before making any decision in regard to future disposition of this area.

PROVINCE OF QUEBEC:

LABRIE TOWNSHIP — A group of 15 mining claims was originally staked in Labrie Township to cover the eastward extension of a narrow greenstone belt in which another Company was rumoured to have uncovered interesting high-grade gold veins. A magnetometer survey was carried out in order to better define the limits of the greenstone belt; and, subsequent prospecting during the summer of 1965 failed to disclose any precious or base metal occurrences of economic interest. The original discovery on the neighbouring claims also failed to respond to detailed investigation, and at year end the claims were abandoned.

NELLIGAN TOWNSHIP — A small group of 13 mining claims was staked during the summer of 1965 to cover a possible nickel-bearing structure in Nelligan Township. An airborne magnetometer anomaly on this group of claims was checked by ground electromagnetometer with positive results. The "conductor" was in turn checked by geochemical soil samples and when an affirmative

indication of copper was obtained, it was decided to drill-test the area covered by the "conductor". Several short holes were drilled: the magnetic anomaly was found to be caused by disseminated iron ore, the "conductor" by several zones of worthless iron sulphides and the geochemical response by a one-foot section of copper sulphides associated with the pyrite. It was recommended that no further investigation be made of this area, and at year end the claims were abandoned.

HUDDERSFIELD TOWNSHIP — A group of 12 claims covering a large number of radioactive occurrences was staked by the Company late in 1965. The claims are situated in Huddersfield Township. Previous test-pitting on this property had indicated extremely high values in thorium with low uranium assays. On information gained from the Atomic Energy Division of the Geological Survey of Great Britain, it was decided to undercut the thorium-rich surface exposures to see if the uranium content did not increase below the zone of surface oxidation — evidently a common feature in deposits of this type. The area is now being investigated by your Company.

ROY TOWNSHIP — The mining claims held under Development Licenses by the Company, comprising an area of approximately 2,200 acres, are continued in good standing. No additional exploration or development work was carried out thereon during 1965.

The feasibility of mining the presently developed ore reserves on this property, in view of the current price for copper, is being investigated by your Directors. Presently developed ore reserves consist of an indicated 450,000 tons of ore grading 2.25% copper and 0.03 ounces of gold per ton.

PROVINCE OF NEW BRUNSWICK:

BATHURST BASE METAL AREA — Subsequent to the year end a group of 37 mining claims situated in the Bathurst, New Brunswick Base Metal Area was optioned by the Company from Free Nations Mines Limited. The claims were optioned in order to test by diamond drilling certain good geophysical anomalies in a favourable geological setting. This work is now underway; initial results indicate that the first anomalies tested were caused by graphite and barren sulphides. Drilling of other anomalies is continuing at this time.

PORTAGE RIVER AREA — In conjunction with associated companies, a large area along the eastern flank of the Bathurst, New Brunswick ore-bearing structure was flown by electromagnetic survey equipment during 1965. Subsequent to the year end, the Company acquired by staking a group of 33 mining claims situated in the Portage River area of this province. A number of interesting anomalies hitherto unknown was disclosed by the survey, and such anomalies were staked. Check-type ground geophysics and some diamond drilling are planned to investigate the area.

PROVINCE OF ONTARIO:

FERGUS AND ECCLESTONE TOWNSHIPS (KAPUSKASING AREA) — Reports of occasional showings of lead-zinc-copper mineralization in a heavily overburdened area covering approximately two townships some 35 miles southwest of Kapuskasing, Ontario were covered by an airborne electromagnetic survey during the early winter of 1965. A number of excellent conductive responses associated with strong magnetic anomalies were indicated by the survey; and a total of 216 claims were staked in due course by Company personnel. During the summer of 1965, the claim groups and their contained anomalies were prospected by ground geophysics and soil geochemistry. Where positive reactions were obtained, the overburden was stripped and the underlying rock was drilled and blasted to permit proper sampling. In almost all cases the anomalies were found to be caused by iron sulphides but of all those checked to date none have produced ore grade base metals. Some of the smaller anomalies remain untested and the Company plans to examine such anomalies during the 1966 field season.

KAGIANO LAKE (MANITOUWADGE AREA) — During the latter part of 1965 an American Company was reported to have made a number of large-scale copper and molybdenum discoveries a short distance northwest of the Manitouwadge base-metal camp. Although the discoveries could not be confirmed at the time, a 32 claim group adjoining the claims held by the American Company was optioned by your Company. Due to a shortage of personnel, the Company was only able to carry out limited prospecting before the end of the field season of 1965. The Company did learn however that its optioned claims generally covered the eastern strike extension of the reported occurrences and that such occurrences were largely covered by overburden. A geophysical survey is being carried out on this area and any interesting results obtained will be drill-tested.

REID TOWNSHIP — No additional exploration work was carried out by the Company on its group of 18 mining claims located in Reid Township of the Timmins area of Ontario. The property is retained for the time being with enough assessment work recorded to keep the claims in good standing until 1967.

JACQUET RIVER MINES LIMITED

Jacquet River Mines Limited, a wholly-owned subsidiary of Grandroy Mines Limited, continues to hold its mining claims held under a Mining License in New Brunswick in good standing. The property comprises 1,090 acres and is situated adjoining southwest the No. 12 Orebody of Brunswick Mining and Smelting Corporation Limited. A work program composed largely of geophysics and some diamond drilling was carried out on this area during the 1965 field season, and the Company proposes to carry out additional work on the claims during 1966.

Your Company now proposes to acquire all the assets subject to the liabilities of Jacquet River Mines Limited and to arrange for the surrender of the Charter of that Company.

GENERAL:

During 1965 your Company sold 600,000 shares of its capital stock for the cash consideration of \$100,000.00; and subsequent to the year end, 250,000 shares were sold for an additional \$55,000.00 in cash, thus providing the Company with funds to continue its exploration programs.

Respectfully submitted on behalf of the Board of Directors.

PHILIP E. BOYLEN,
President.

Dated at Toronto, Ontario,
this 29th day of March, 1966.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

LOFTUS A. ALLEN, C.A.
JOHN A. ALLEN, C.A.
JOHN F. CROSSLEY, C.A.
LICENSED TRUSTEE

SUITE 235 - 48 YONGE STREET
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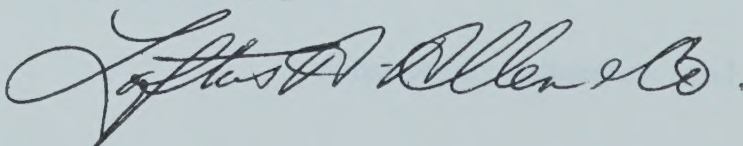
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of

GRANDROY MINES LIMITED

as at December 31, 1965 and the statements of capital deficit and deferred expenditures for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of capital deficit and deferred expenditures present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
March 14, 1966.

Chartered Accountants

GRANDROY I

(Incorporated under the laws of the State of Nevada)

Balance Sheet as of December 31, 2019

ASSETS

Cash	\$	7,799.31	
Sundry receivables		177.19	
Investment in shares of other mining companies — at cost (quoted market value \$168,282.50)			294,774.25
Investment in wholly-owned subsidiary (Note 1)			
Shares — at cost	\$250,000.00		
Advances	89,373.84	339,373.84	
Mining claims held under development licenses and miners' certificates — at cost (Note 2)			79,666.43
Fixed Assets — at cost			
Automotive equipment	\$ 4,122.90		
Mobilehomes	5,700.00		
	\$ 9,822.90		
Less: Accumulated depreciation	6,113.03	3,709.87	
Deferred development and administrative expenditures — per statement			402,383.10
			<u>\$ 1,127,883.99</u>

The accompanying notes form an integral part of these financial statements.

Auditors' Report

ES LIMITED

(Incorporated in the Province of Ontario)

December 31, 1965

LIABILITIES

Accounts payable and accrued liabilities	\$	1,223.40
Shareholders' Equity		
Capital Stock		
Authorized		
5,000,000 Shares of no par value		
Issued and Fully Paid (Note 3)		
4,600,005 Shares	\$	1,583,755.25
Capital Deficit — per statement		
		<u>457,094.66</u>
		1,126,660.59

Approved on behalf of the Board:

P. E. BOYLEN, Director.

G. L. MOORE, Director.

\$ 1,127,883.99

part of the financial statements.

attached.

GRANDROY MINES LIMITED

Statement of Capital Deficit

For the Year Ended December 31, 1965

BALANCE — DECEMBER 31, 1964		\$447,702.32
ADD —		
Cost of mining claims abandoned		
23 Unpatented mining claims held under miners' certificates, Wilson Township, County of Abitibi, Province of Quebec	\$1,530.01	
15 Unpatented mining claims held under miners' certificates, Labrie Township, County of Abitibi, Province of Quebec	1,552.25	
Development costs on above claims	6,310.08	9,392.34
BALANCE — DECEMBER 31, 1965		<u>\$457,094.66</u>

NOTES TO FINANCIAL STATEMENTS

As at December 31, 1965

- The accounts of Grandroy Mines Limited and its wholly-owned subsidiary, Jacquet River Mines Limited have not been consolidated as neither company is in production. The investment in the subsidiary is shown at cost and no adjustment has been made in the accounts of Grandroy Mines Limited for losses of the subsidiary since the date of acquisition to December 31, 1965. The analysis of the deficit of the subsidiary for this period is as follows:

Surplus as at date of acquisition		\$182,596.95
Written off —		
Mining claims abandoned	\$152,574.49	
Development expenses thereon	34,279.18	
Loss on sale of investments	37,238.35	
Incorporation expense	3,885.00	227,977.02
Deficit as at December 31, 1965		<u>\$ 45,380.07</u>

- The Government of Newfoundland has granted the company exclusive prospecting and exploration rights over a reserved area of approximately 179 square miles in the Great Northern Peninsula of Newfoundland for a period of three years, expiring September 5, 1966.
Grandroy Mines Limited granted an option (abandoned during the year) to New Jersey Zinc Exploration Company (Canada) Limited to prospect and acquire an interest in the above property, the optionee being required to spend \$60,000. To date \$42,605 has been expended on the property.
- During the year 600,000 common shares were issued for a cash consideration of \$100,000.
Subsequent to the year end, an additional 250,000 common shares were issued for \$55,000 cash.
- Subsequent to the year end, the company has entered into an option agreement with Free Nations Mines Limited whereby the company has acquired for \$7,500 in cash, the exclusive right to acquire 37 mining claims on or before September 30, 1966. If the company elects to acquire such claims, it must pay an additional \$7,500 in cash and 100,000 shares in capital stock of the company.

GRANDROY MINES LIMITED

Statement of Deferred Expenditures

For the Year Ended December 31, 1965

DEVELOPMENT EXPENSE

Balance — December 31, 1964			\$228,528.05
Additions during year			
Assays	\$ 243.00		
Diamond drilling	5,600.75		
Geologists fees and expenses	5,874.64		
Licenses and fees	2,149.29		
Line cutting	2,274.15		
Maps and blue prints	150.90		
Prospecting equipment and supplies	6,882.53		
Stripping	1,354.23		
Surface exploration	10,941.82		
Surveys	37,721.41		
Travelling and transportation	6,571.39		
Trenching and blasting	3,093.20		
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	\$82,857.31		
Deduct — Costs applicable to mining claims abandoned	6,310.08	76,547.23	\$305,075.28
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ADMINISTRATIVE EXPENSE

Balance — December 31, 1964			\$ 85,852.67
Additions during year			
Advertising	\$ 230.00		
General expenses	142.00		
Legal and audit	387.15		
Listing and sustaining fee	200.00		
Office and stationery	414.83		
Telephone and postage	711.52		
Transfer agent and registrar fees	1,181.14		
Travelling	107.05		
Prospecting service	1,745.77		
Head office administrative	3,000.00		
Reports to shareholders	665.98		
Depreciation expense	1,589.94		
Filing fees	370.00		
Insurance	140.54		
Directors' fees	900.00		
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	\$11,785.92		
Less — Interest earned	330.77	11,455.15	97,307.82
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			<u>\$402,383.10</u>

JACQUET RIVER

(Incorporated under the laws of the State of Nevada)

Balance Sheet as at December 31, 1915

ASSETS

Cash	\$ 3,096.52
Investment in shares of other mining companies, at cost (quoted market value \$12,560.00)	21,377.10
Mining claims held under mining license	50,000.00
Deferred development and administrative expenditures, per statement	57,127.15

\$131,600.77

Approved on behalf of the Board:

M. J. BOYLEN, Director.

G. L. MOORE, Director.

MINES LIMITED

(Incorporated under the Laws of Ontario)

December 31, 1965

LIABILITIES

Accounts payable	\$	100.00
Advance from parent company Grandroy Mines Limited		89,373.84

Shareholders' Equity

Capital Stock

Authorized

5,000,000 shares of \$1.00 par value \$ 5,000,000.00

Issued

1,250,007 shares \$ 1,250,007.00

Less: Discount thereon 1,162,500.00

\$ 87,507.00

Capital Deficit

No change during the year 45,380.07 42,126.93

\$131,600.77

NOTE: Jacquet River Mines Limited has agreed not to allot and issue, or cause to be allotted and issued, any shares of its capital stock whatsoever at any time without the written approval and consent of Grandroy Mines Limited.

Auditors' report attached.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

LOFTUS A. ALLEN C.A.
JOHN A. ALLEN C.A.
JOHN F. CROSSLEY C.A.
LICENSED TRUSTEE

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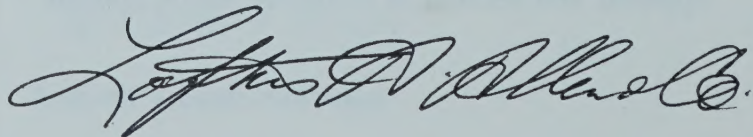
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of

JACQUET RIVER MINES LIMITED

as at December 31, 1965 and the statement of deferred expenditures for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of deferred expenditures present fairly the financial position of the Company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
March 21, 1966.

Chartered Accountants

JACQUET RIVER MINES LIMITED

Statement of Deferred Expenditures

For the Year Ended December 31, 1965

BALANCE — DECEMBER 31, 1964				\$48,029.34
MINE DEVELOPMENT EXPENSES				
Diamond drilling	\$ 8,507.48			
Soil studies	496.00			
Geological studies	1,977.83			
License	272.50			
	<u>\$11,253.81</u>			
Less: Refund of prior year's assessment for work payment	2,408.91	\$8,844.90		
	<u>2,408.91</u>			
ADMINISTRATIVE EXPENSES				
Audit	\$ 125.00			
Transfer agent	50.00			
Filing fees	35.00			
Corporation tax	20.00			
Bank charges	9.03			
Telephone	12.38			
General expense	1.50	252.91	9,097.81	
	<u>1.50</u>	<u>252.91</u>	<u>9,097.81</u>	
BALANCE — DECEMBER 31, 1965				<u>\$57,127.15</u>

